

STATE OF SOUTH CAROLINA  
BEFORE THE PUBLIC SERVICE COMMISSION  
DOCKET NOS. 2017-207-E, 2017-305-E, & 2017-370-E

2018 OCT 26 PM 1:12  
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SC PUBLIC SERVICE  
COMMISSION  
*[Signature]*

IN RE: Friends of the Earth and Sierra )  
Club Complainant/Petitioner v. South )  
Carolina Electric & Gas Company, )  
Defendant/Respondent )  
)  
IN RE: Request of the South Carolina )  
Office of Regulatory Staff for Rate Relief )  
to SCE&G Rates Pursuant to SC Code )  
Ann. §58-27-920 )  
)  
IN RE: Joint Application and Petition of )  
South Carolina Electric & Gas Company )  
and Dominion Energy, Incorporated for )  
Review and Approval of a Proposed )  
Business Combination between SCANA )  
Corporation and Dominion Energy, )  
Incorporated, as May Be Required, and for )  
a Prudency Determination Regarding the )  
Abandonment of the V.C. Summer Units 2 )  
& 3 Project and Associated Customer )  
Benefits and Cost Recovery Plans )

**PRE-HEARING BRIEF**

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The South Carolina Public Service Commission ("Commission") should deny any further cost recovery to South Carolina Electric and Gas ("SCE&G") under the South Carolina Base Load Review Act for the following reasons:

1. SCE&G is clearly guilty of fraudulent misrepresentation in relation to the V.C. Summer New Nuclear Development project ("NND").

In September of 2016, SCE&G entered into a settlement with various parties regarding capital costs and Guaranteed Substantial Completion Dates. This settlement was approved by the

Commission in November of 2016. In this settlement, SCE&G provided Guaranteed Substantial Completion Dates of August 2019 and August 2020 for Units 2 and 3, respectively. However, based on information that SCE&G had available to it at the time, SCE&G must have known that these dates were utter fiction. It is now public knowledge that SCE&G received the draft version of the Bechtel Project Assessment Report in late 2015 and the final version of the report in early 2016.

In the reports, Bechtel observed that construction was progressing at 0.5 percent per month as of August 2015 and construction was 21% complete (Exhibit 1 - Observation CPC24). At that rate, completion dates before the end of 2020 were clearly unattainable.

SCE&G would no doubt reply that they were aware of the issues in the report and had addressed them. However, after abandoning the project, SCE&G sent a letter to the U.S. Nuclear Regulatory Commission asking to withdraw their combined license for V.C. Summer Units 2 and 3 (Exhibit 2). In this letter, SCE&G said that the construction of Units 2 and 3 was less than 40% complete. Clearly the average rate of construction progress between August 2015 and July 2017 (at abandonment) was less than 1 percent per month (19 percent progress over approximately 24 months). Either SCE&G employees lack basic math skills or this was a deliberate misrepresentation of the project's status.

SCE&G's misrepresentations not only did great harm to their customers, but these misrepresentations were also clear violations of the Securities Exchange Act of 1934, which prohibits a publicly traded company from providing false and misleading statements to the investing public.

What would motivate such an act of misinformation? At the time of the September 2016 settlement, the Federal Nuclear Production Tax Credit was set to expire at the end of 2020. This

would have had a significant impact on the economics of the NND project and this seems to be the most plausible motive for the deception.

2. SCE&G was never in compliance with the approved Base Load Review Act cost and construction schedules.

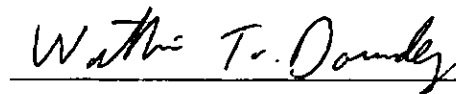
Section 58-33-275 (C) of the SC Base Load Review Act states:

So long as the plant is constructed or being constructed in accordance with the approved schedules, estimates, and projections set forth in Section 58-33-270(B)(1) and 58-33-270(B)(2), as adjusted by the inflation indices set forth in Section 58-33-270(B)(5), the utility must be allowed to recover its capital costs related to the plant through revised rate filings or general rate proceedings.

Even after the 2016 settlement, SCE&G failed to construct Units 2 and 3 within the schedules to which they agreed.

For these reasons I ask the Commission to deny any further cost recovery to SCE&G under the South Carolina Base Load Review Act.

Submitted October 26th, 2018



William T. Dowdey

# **Exhibit 1**

## **Page 50 of the Final Bechtel Project Assessment Report**

**CONFIDENTIAL, ATTORNEY-CLIENT PRIVILEGED**  
 Provided to Governor Henry McMaster as directed by him  
 pursuant to S.C. Const. Art. IV, sec. 17, and S.C. Code Ann. 1-3-10

U.S. Summer Nuclear Generation Station Units 2 & 3 Project Document Report

February 9, 2016

Table 5-1. Construction and Project Controls Observations and Recommendations	
No.	Description
CPC24	<p><b>Observation(s)</b></p> <ul style="list-style-type: none"> <li>The monthly progress report shows construction progress advancing approximately 0.5% per month with a total to date (August 2015) of 21% complete. In order for the plant to complete on schedule, monthly construction progress must increase to close to 3%. There are several work faces without craftsmen, (examples: Unit 2 turbine building elevated slabs; the Unit 3 containment only had 100 men working, and no work in the Unit 3 turbine building).</li> <li>It takes approximately one hour before the craftsmen get to their workplace. At both of the coffee breaks and lunch time, the craftsmen leave the work area resulting in unproductive time leaving and returning to work.</li> </ul> <p><b>Recommendation(s)</b></p> <ul style="list-style-type: none"> <li>(Priority 1) The project needs to staff up to work all available work faces.</li> <li>(Priority 1) Assign a senior construction person to evaluate methods to have the craftsmen spend more time at the workplace. (One example, move the tool boxes into the building near the work area.)</li> <li>(Other) Have coffee breaks and lunch in the work areas.</li> </ul>
CPC25	<p><b>Observation(s)</b></p> <p>The Consortium's Integrated Project Schedule has 50 mandatory constraints—20 associated with Unit 2, 24 associated with Unit 3, and six site-specific.</p> <ul style="list-style-type: none"> <li>A majority of the mandatory constraints affect fabrication of shield building panels that are forecast for later deliveries from the fabricator, the latest being for Unit 2 149'-6" transition panels currently forecast to be complete 9 months later than the constrained date. The Consortium stated during the September 9, 2015 presentation that a mitigation plan is in process for the shield building panels.</li> <li>There is a constraint on the Unit 2 auxiliary building R251 module that is currently forecasted to be complete 5 months later than the constrained date.</li> <li>There is a constraint on the Unit 3 CA01 module ready to lift that is currently forecasted to complete 4 months later than the constrained date.</li> <li>There is a constraint on the Unit 3 CA20 module ready to lift that is currently forecasted to complete 4 months later than the constrained date.</li> </ul> <p><b>Recommendation(s)</b></p> <ul style="list-style-type: none"> <li>(Priority 1) Remove mandatory constraints and allow the schedule to move based on the logic. Prioritize development of mitigation/recovery plans based on their potential impact to the schedule. Only incorporate mitigation plan recovery into the schedule after it has been fully developed and approved by all parties.</li> </ul>
CPC26	<p><b>Observation(s)</b></p> <p>The baseline forecast was developed based on a performance factor of 1.15. Recent (last 6 months) performance has been greater than 2.0 on Unit 2, and greater than 1.5 on Unit 3, primarily driven by civil building construction impacts.</p> <p><b>Recommendation(s)</b></p> <ul style="list-style-type: none"> <li>(Priority 2) Update the forecast based on recent performance. Reassess manpower needs based on updated forecast.</li> </ul>

## **Exhibit 2**

# **Letter from SCE&G to U.S. Nuclear Regulatory Commission with Request to Withdraw Combined License**



**Jeffrey B. Archie**  
Senior Vice President, SCANA  
Senior Vice President & CNO, SCE&G

December 27, 2017  
NND-17-0503

ATTN: Document Control Desk  
U.S. Nuclear Regulatory Commission  
Document Control Desk  
Washington, DC 20555

Virgil C. Summer Nuclear Station (VCSNS) Units 2 & 3  
Combined License (COL) Nos. NPF-93 and NPF-94  
Docket Nos. 52-027 & 52-028

**Subject:** South Carolina Electric & Gas Company (SCE&G) Request for  
Withdrawal of VCSNS Unit 2&3 COLs

**References:** 1. Letter from Jeffrey B. Archie to NRC, V.C. Summer, Units 2 and 3 -  
Notification of Termination of Project Construction, dated  
August 17, 2017 (ML17229B487)

This letter requests NRC approval to withdraw the COLs for VCSNS Units 2 & 3 in accordance with the Commission's policy statement on deferred and terminated plants (52 Federal Register 38,077). In Reference 1, SCE&G notified the NRC that as of July 31, 2017, SCE&G stopped construction activities on the VCSNS Units 2 and 3 site. In its October 27 letter, SCE&G stated that it would notify the NRC of its plans for disposition of the COLs no later than December 15. Pursuant to further discussion with the NRC, SCE&G stated that it would notify the NRC by the end of December 2017.

The COLs were obtained from the NRC in March of 2012 and construction commenced shortly thereafter. On March 29, 2017, the Company's General Contractor, Westinghouse Electric Company, unexpectedly declared bankruptcy. Subsequently SCE&G and the project's co-owner (the South Carolina Public Service Authority-Santee Cooper) undertook an evaluation of the cost and schedule to complete the units. On July 31, 2017, Santee Cooper made the decision to suspend work on the project and later that day SCE&G made the decision to abandon the project effective immediately.

There is no nuclear fuel or special nuclear material on the site and all Safeguards Information has been removed from the site. Also, in their present state of construction (less than 40% complete), neither of the units can be considered a utilization facility as defined in 10CFR50.2. Neither unit has all the necessary structures, systems or components in place to sustain a controlled nuclear reaction. Currently there are no construction or quality-related activities ongoing at the site, but SCE&G will continue to comply with NRC requirements pending its authorization of withdrawal.

In addition to withdrawal of the COLs, SCE&G requests withdrawal of the License Amendment Requests and associated Exemptions under NRC review, Code Alternative requests under NRC review, and all ITAAC Closure Notifications.

SCE&G has irrevocably abandoned its interests in VCSNS Units 2 and 3 project. All of its project completion and preservation activities have ceased. Work is limited to only those actions required to place the site in a safe condition, terminate construction, and close active permits. No further NRC-regulated activities are being performed or planned at VCSNS 2 and 3.

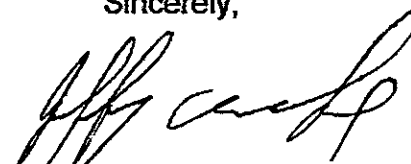
SCE&G has offered to cede its abandoned interest in the VCSNS Units 2 and 3 project to the South Carolina Public Service Authority (Santee Cooper), for no consideration. As of the time of this letter, Santee Cooper has not elected to accept full responsibility for the VCSNS Units 2 and 3 project. If prior to NRC approval of this request to withdraw the COLs Santee Cooper chooses to seek to become the sole licensee for the project, SCE&G will support an application to the NRC to transfer the licenses to Santee Cooper.

The enclosure provides SCE&G's plans for redress of the Unit 2 & 3 site and additional information on site activities. SCE&G is not requesting a specific approval date for withdrawal of the COLs, however, prompt approval will allow for resolution.

This letter contains no regulatory commitments.

Should you have any questions, please contact me at (803) 217-5080 or by email at [jarchie@scana.com](mailto:jarchie@scana.com).

Sincerely,



Jeffrey B. Archie  
Senior Vice President SCANA  
Senior Vice President & CNO SCE&G

JRB/JBA/

Enclosure



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**CERTIFICATE OF SERVICE**

I certify that the following persons have been served with one (1) copy of the foregoing Pre-Hearing Brief  
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